DOCUMENT RESUME

ED 433 471 CE 079 168

AUTHOR	Shipilov, Andrew
TITLE	Business Plans in the Newly Independent States of the Former Soviet Union. Digest Number 97-7.
INSTITUTION	Ewing Marion Kauffman Foundation, Kansas City, MO. Center for Entrepreneurial Leadership.
PUB DATE	1997-08-01
NOTE	4p.
AVAILABLE FROM	CELCEE, Kauffman Center for Entrepreneurial Leadership, 4801 Rockhill Road, Kansas City, MO 64110-2046. Tel: 888-423-5233 (Toll Free). For full text: <http://www.celcee.edu>.
PUB TYPE	Information Analyses (070)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Adults; *Business Administration; Business Education; *Business Skills; *Developing Nations; *Educational Needs; Entrepreneurship; Foreign Countries; Manufacturing; *Planning; Small Businesses
IDENTIFIERS	*Business Plans; *Russia; USSR

ABSTRACT

The concept of business planning is new to business professionals in the states of the former Soviet Union. Although Russian publications on business and economics have responded to the increased demand for knowledge of business planning, Western ideas of business planning should be integrated into Russian business management concepts in order to prepare a new generation of business professionals. Business plans should address the following issues: company product or service; customer base; customer need for product or service; and the production process. One of the most commonly used formats for business plans is the UNIDO (United Nations Industrial Development Organization) plan, which usually has the following components: rësume (outline of the business plan), product plan, organizational plan, marketing plan, risk management plan, financial plan, and appendixes. Business plans are key tools for planning and controlling both new and established businesses and their use can facilitate business development within the newly-independent states of the former Soviet Union. (KC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 433 471

Business Plans in the Newly Independent States of the Former Soviet Union Digest Number 97-7

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY

M B Dockendorf

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

CED 29168

BEST COPY AVAILABLE

CELCEE

Kauffman Center for Entrepreneurial Leadership Clearinghouse on Entrepreneurship Education
http://www.celcee.edu

Kauffman Center for Entrepreneurial Leadership
4801 Rockhill Road
Kansas City, MO 64110-2046
(888) 423-5233

Digest

August 1, 1997

DIGEST Number 97-7

Business Plans in the Newly Independent States of the Former Soviet Union

By Andrew Shipilov

The concept of business planning is new to business professionals within the Eastern European countries of the Newly Independent States (NIS). Not surprisingly, the term "business plan" or "business proposal" did not appear in publications on management or business administration until the mid 1980s. Now that the business and political environment has changed dramatically, the business plan has become a standard tool for entrepreneurs starting new businesses, developing products, or soliciting funds.

Russian publications on business and economics have responded to the increased demand for knowledge on business planning, discussing the concept in a variety of literature. The majority of publications provide guidelines on how to develop, organize, and implement a business plan. These books and articles are written to appeal to a wide audience, ranging from entrepreneurs and employees of the non-profit sector to the senior executives of large private and state-owned enterprises.

Planning a New Venture

The main activity involved in writing a business plan is, not surprisingly, "planning." Most business experts agree that the ability to plan is a skill rather than a talent, and that this skill can and should be developed through practice and proper education. Indeed, the ability to create a solid business plan is believed to be an indispensable skill, and "...one of the core activities young entrepreneurs must be ready to conduct [in the free market economy]" (Skvortsov, 1994, p.4).

Clearly, careful planning of a new venture can greatly minimize possible losses and can increase opportunity for success.

Unfortunately, the old Soviet system was unable to provide an adequate education for executives who need to forecast business trends within a market economy (Ignatjeva, 1990). Although Western educational methods may be very helpful in preparing a new generation of business professionals or in retraining experienced managers, it would be foolish to blindly apply Western business concepts and theories to NIS economies and to understanding the behavior of market structures in these countries. Many argue that business education in the NIS should be a blend of Western management theories and Russian management practice (Ignatjeva, 1990). Furthermore, business plans should be carefully evaluated by people with considerable experience in business, preferably senior executives or independent financial analysts (Gorbinov, 1992).

There are numerous planning techniques one could utilize when preparing a business plan. One such model suggests that every business plan should address the following issues:

- Company product/service;
- Customer base for product/service;
- Customer need for product/service;
- Product/service production process (Abados, 1990).

Business Plan Structure

There are general guidelines for the format of a generic business plan. One of the most commonly used formats is the UNIDO plan, and is used throughout the international business community (Medvedev, 1992). The UNIDO business plan usually has the following parts:

Resume: This section outlines the aim of the business plan and provides a brief summary of a given proposal.

Product Plan: Within this section the company describes the product or service it will provide and explains the production process.

Organizational Plan: This part of the business plan describes the organization of the labor and

management structure and outlines the personnel policies of the new enterprise.

Marketing Plan: This section delineates how consumers will be made aware of the product, and the methods by which customers will be encouraged to purchase the product. In addition, the marketing plan also identifies the target groups of customers and forecasts the dynamics of consumer attitudes and preferences.

Risk Management Plan: Starting a business in the NIS can be very risky, so every effort should be made to anticipate possible obstacles to success. One of the ways to do so is by making a prudent evaluation of risks, and evaluating the possibility for loss or gain from every risk factor (Smolkov & Levitan, 1990).

Financial Plan: The financial plan is the heart of any business proposal. This section outlines the business' potential for return on the initial financial investment. Cash flow tables, return on investment calculations, break-point graphs, and risk matrixes are some of the basic ratios and indicators financial analysts usually look for in a business plan (Skvortsov, 1994). A carefully written financial plan can provide business analysts with a clear picture of how successful the business will be. The financial plan should also describe all possible sources of financing the new venture. In the modern world of junk bonds and venture capitalists, entrepreneurs can sometimes start their business with almost no money at all of their own (Voznetsky, Kleinder, 1992). The sources of investment could range from non-profit grants and government loans to issuing high-risk bonds or stocks (Abados, 1990). However, it also should be noted that those entrepreneurs who use too much external financing could easily lose control over their enterprises.

Appendixes: In this section the authors of the business plan can include any information relevant to the business project that are not found in previous sections of the document. Contacts, license agreements, permissions, copyrights, are some of the items that could be included in the appendix.

* * *

Indeed, controlling a business, especially if it grows well beyond its original size, can be a major challenge for entrepreneurs. Business experts strongly advise that entrepreneurs institutionalize a set of internal checks and balances in all sections of a business plan to ensure that control can be maintained (Green , 1992). Establishing information flow systems and setting up specific quotas and targets are two of the ways that internal checks and balances can be implemented.

Summary

The business plan is the key tool for modern businessmen and entrepreneurs for planning, organizing and controlling both new and established enterprises. Business plans, if carefully compiled, allow entrepreneurs to understand the nature of business, evaluate its strengths, weaknesses, opportunities and threats. It helps to minimize the risks associated with starting new businesses or developing new products and services. Young entrepreneurs should be specifically educated and trained for successful business planning and business proposal writing.

References

Abados, K. (1990). *How to raise money: A guide for entrepreneurs.* Kiev, Ukraine: Gerald Publishing. **c96248***

Gorbinov, L. (1992). *Who should deal with planning.* Kiev, Ukraine: Lybed Publishing. c970017

Green, H. (1992). *Controlling the business through the business plan.* Kiev, Ukraine: Lybed Publishing. c96262

Igantjeva, A. (1992, December). Notes on teaching: Business planning and education. *Rossijski Ekonomicheski Zhurnal.* c970268

Medvedev, A. (1992, April). Methods to prove the feasability of a business proposal. *Mezhdunarodnaja Ekonomika i Mezhdunarodnije Ekonomicheskije Otnoshenija.* c970491

Skvortsov, N. (1994). *How to develop a business plan (A comprehensive guide for young entrepreneurs).* Kiev, Ukraine: Kniga Inc. c96175

Smolkov, V. & Levitan, M. (1993, February). Entrepreneurship and risk: Experience and problems. *Socialno-Politichesky Zhurnal.* c970274

Voznesensky, S. & Kleinder, T. (1992, January). Lessons on entrepreneurship: Raising venture capital. *Chelovek i Trud.* c970987

*** CELCEE document number**

CELCEE is an Adjunct ERIC Clearinghouse funded by the Kauffman Center for Entrepreneurial Leadership. The opinions expressed herein do not necessarily reflect those of the sponsoring institutions, and no official endorsement should be inferred.